

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6021

BILL NUMBER: HB 1411

NOTE PREPARED: Oct 15, 2008

BILL AMENDED:

SUBJECT: Penalties for Failure to Pay State Taxes.

FIRST AUTHOR: Rep. Burton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a penalty for failure to pay tax by the due date is reduced to 5% of the amount of tax due if the person pays the full amount of the tax owed not later than 30 days after the due date. (Current law provides for a 10% penalty on the amount of tax owed if the payment is made any time after the due date.)

Effective Date: July 1, 2009.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new penalty reduction. The DOR's current level of resources should be sufficient to implement the new penalty reduction.

Explanation of State Revenues: *Summary:* The bill reduces the penalty on listed taxes from 10% to 5% if the full amount is paid within 30 days after the due date beginning in 2009. The decrease in revenue as a result of the penalty reduction is indeterminable because it may be influenced by behavioral changes associated with reducing the penalty for failure to pay taxes. However, the revenue loss could potentially be significant. The bill's provisions would be effective in tax year 2009. Any fiscal impact would not likely arise before FY 2010.

Background: Under the current law, the penalty for failure to pay state taxes is 10% of the amount of tax owed if the payment is made any time after the due date. Data from the DOR indicates that for taxable year 2007 approximately \$2 M in penalty revenue was collected within 30 days after the due date. Assuming that the amount of penalty revenue collected within 30 days after the due date remains approximately \$2 M, then

the General Fund will be reduced by approximately \$1 M because of the penalty reduction from 10% to 5%.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue: Thomas D. Conley, 317-232-2107; Sarah Spencer, 313-233-2717.

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